



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 32, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr D Mashitisho
Municipal Manager

Mr D Masitisho was appointed in the position of Municipal Manager from the 1 October 2006

3 October 2007
Date

MOGALE CITY LOCAL MUNICIPALITY

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GENERAL INFORMATION

EXECUTIVE MAYOR:

Clr. K. Seerane

SPEAKER:

Clr. N. Mangole

CHIEF WHIP

Clr. B. Maneli

MAYORAL COMMITTEE:

Clr. L. Baloyi
Clr. F. Bhayat
Clr. O. Caldeira
Clr. S. Dube
Clr. B. Friedman
Clr. P. Mabe
Clr. M. Makola
Clr. E. Mathe
Clr. P. Moeketsi
Clr. N. Ntamane

GRADING OF THE LOCAL MUNICIPALITY

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AUDITORS:

Office of the Auditor- General (Provincial)

BANKERS:

First National Bank

REGISTERED OFFICE:

Civic Centre	P O Box 94	Telephone:
Commissioner Street	Krugersdorp	(011) 951 - 2000
Krugersdorp	1740	
1739		

MUNICIPAL MANAGER:

Mrs. I.N. Mokate	Resigned: 31 July 2006
Mr. D. Mashitisho	From: 1 October 2006

CHIEF FINANCIAL OFFICER

Mrs. C.H. Robinson	Resigned: 31 July 2006
Mr. L. Mahuma	From: 8 January 2007



STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net assets		99 706 789	2 400 214
Government grant reserve		117 602 804	90 083 415
Accumulated surplus / (deficit)		(17 896 015)	(87 683 201)
Non-current liabilities		213 115 074	244 548 309
Long-term liabilities	1	212 658 657	243 982 454
Non-current provisions	2	456 417	565 855
Current liabilities		269 415 902	206 752 736
Consumer deposits	3	28 340 405	26 887 291
Provisions	5	18 920 858	25 010 857
Creditors	4.2	108 425 087	62 938 130
Sundry deposits	4.3	4 405 052	3 365 867
Unspent conditional grants and receipts	6	19 885 563	14 243 924
VAT	7	55 506 593	27 733 587
Bank Overdraft	14	-	23 080 570
Current portion of long-term liabilities	1	33 932 344	23 492 510
Total net Assets and Liabilities		582 237 765	453 701 259
ASSETS			
Non-current assets		373 698 654	324 797 173
Property, plant and equipment	11	302 686 565	263 856 335
Investments	8	63 181 724	39 954 338
Long-term receivables	9	7 830 365	20 986 500
Current assets		208 539 111	128 904 086
Inventory	10	12 971 963	5 728 538
Consumer debtors	12	133 657 233	99 097 192
Other debtors	13	44 863 750	7 814 300
Current portion of long-term debtors	10	-	6 594 969
Call investments	14	9 000 000	9 630 711
Bank and Cash	14	8 046 165	38 376
Total Assets		582 237 765	453 701 259

MOGALE CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
1 LONG-TERM LIABILITIES		
Annuity Loans	246 031 857	267 474 964
WESBANK Finance Lease	559 144	-
Sub-total	246 591 001	267 474 964
Less : Current portion transferred to current liabilities	33 932 344	23 492 510
Annuity Loans	33 824 687	23 492 510
WESBANK Finance Lease	107 657	-
Total External Loans	212 658 657	243 982 454
Refer to Appendix A for more detail on long-term liabilities.		
2 NON-CURRENT PROVISIONS		
Collateral guarantee insurance	300 480	296 835
Rugby Football club	155 937	155 937
Mayoral fund	-	113 083
Total Non-Current Liabilities	456 417	565 855
The mayoral fund has been reversed to the operating account because it is not cash backed.		
The movement in the non-current liabilities is reconciled as follows: -		
Balance at beginning of year	565 855	549 996
Contributions to provision	(109 438)	15 859
Balance at end of year	456 417	565 855
3 CONSUMER DEPOSITS		
Electricity and Water	28 340 405	26 887 291
Total Consumer Deposits	28 340 405	26 887 291
Guarantees held in lieu of Electricity and Water Deposits	6 462 796	6 516 083
4 CREDITORS		
4.1 Trade creditors	(1 836 006)	8 470 698
Other creditors	(70 379)	31 412 915
Salary third party payments	10 771 035	2 119 288
Creditors before adjustments	8 864 650	42 002 901
4.2 Adjustments		
Payments received in advance (Note 12)	24 305 106	19 892 420
Outstanding cheques	32 957 024	
Long term receivables (Note 9)	433 988	-
Payments received in advance from other debtors (Note 13)	7 201 884	-
VAT Refundable from SARS transferred to Other debtors (Note 13)	31 965 099	-
Creditors paid in advance transferred to Other debtors (Note 13)	2 697 336	1 042 809
Total Creditors	108 425 087	62 938 130
4.3 Sundry Deposits		
Sundry Deposits	4 405 052	3 365 867
5 PROVISIONS		
Staff leave	18 920 858	25 010 857

MOGALE CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
6 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
6.1 Conditional Grants from other spheres of Government	16 923 828	11 712 474
MIG Grants	2 988 843	3 319 462
National Grants	1 848 567	2 054 989
Provincial Government grants	10 941 400	2 275 065
WRDM	1 145 018	2 763 049
Other	-	1 299 909
6.2 Other Conditional Receipts	-	-
DBSA	-	-
Public contributions	-	-
Grants Receivable Transferred to Debtors (Note 13)	2 961 735	2 531 450
Provincial Government grants	2 623 191	2 409 615
National Grants	-	121 835
WRDM	338 544	-
Total Conditional Grants and Receipts	19 885 563	14 243 924
Refer Note 17 for reconciliation of grants from other spheres of government.		
7 VAT		
VAT payable	55 506 593	27 733 587
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		
8 INVESTMENTS		
<u>Financial Instruments</u>		
Unlisted		
Fixed Deposits	62 962 222	39 812 818
Listed		
Sanlam Limited	219 502	141 520
	63 181 724	39 954 338
Pledged Investments		
Banking institutions	62 962 222	39 812 818
9 LONG-TERM RECEIVABLES		
Stand and Housing loans	1 212 478	20 759 254
Staff Loans	-	566 220
Sundry loans	5 956 654	6 028 750
Deferred charges	227 245	227 245
	7 396 377	27 581 469
Less: Housing loans to current receivables	-	6 028 749
Less: Study loans to current receivables	-	566 220
Amounts received in advance (Note 4)	433 988	-
Total	7 830 365	20 986 500
STAFF LOANS		
Staff members are entitled to financial assistance in order to study at certain educational institutions. These loans are repayable with interest if the employee fails and are written off in the cases where employees pass.		
STAND & HOUSING LOANS		
Stand & Housing loans are available to buyers of property within Mogale City. These loans are granted and repayable with interest in terms of Council's policy.		
10 INVENTORY		
Consumable stores – at cost	12 971 963	5 728 538

MOGALE CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
12 CONSUMER DEBTORS		
As at 30 June 2007		
Service debtors		
Rates	108 692 210	1 195 348
Electricity	42 742 128	32 097 213
Water	102 420 172	34 477 593
Sewerage	68 728 611	6 691 337
Refuse	127 631 602	5 367 417
VAT	53 855 559	15 162 289
Interest	29 842 552	11 160 482
Other	10 284 718	3 200 448
Total	544 197 552	109 352 127
Amounts received in advance (Note 4)	24 305 106	24 305 106
Total Consumer Debtors	568 502 658	133 657 233
As at 30 June 2006		
Service debtors		
Rates	70 671 922	13 487 992
Electricity	26 807 601	14 748 998
Water	75 394 677	14 047 065
Sewerage	42 340 115	5 801 941
Refuse	69 989 292	6 362 226
Interest	90 676 411	5 335 378
Other	68 450 314	19 421 172
Total	444 330 332	79 204 772
Amounts received in advance	19 892 420	19 892 420
Total Consumer Debtors	464 222 752	99 097 192
Rates: Ageing		
Current (0 – 30 days)	11 422 171	7 852 998
31 - 60 Days	8 106 509	2 973 588
61 - 90 Days	3 293 558	2 661 404
> 90 Days	110 168 359	57 183 932
Total	132 990 597	70 671 922
(Electricity, Water, Refuse and Sewerage): Ageing		
Current (0 – 30 days)	38 294 512	29 166 981
31 - 60 Days	24 298 073	6 267 870
61 - 90 Days	8 836 558	5 525 376
> 90 Days	269 602 857	173 571 458
Total	341 032 000	214 531 685
Other services : Ageing		
Current (0 – 30 days)	9 832 409	20 449 934
31 - 60 Days	10 597 422	2 212 857
61 - 90 Days	4 605 600	2 093 765
> 90 Days	69 444 630	134 370 179
Total	94 480 061	159 126 735
Reconciliation of the bad debt provision		
Balance at beginning of the year	365 125 560	301 806 698
Contributions to provision	136 358 830	63 318 862
Bad debt written off	18 020 235	-
Balance at end of year	483 464 155	365 125 560
13 OTHER DEBTORS		
Grant debtors (Note 6)	2 961 735	2 531 450
Creditors paid in advance (Note 4)	2 697 336	1 042 809
VAT Refundable from SARS (Note 4)	31 965 099	-
Sundry debtors	1 440 200	4 240 041
Insurance claims	1 267 128	-
Indigent Parked amounts	23 098 451	-
Housing loans	21 869 129	-
Sundry Loans	918 629	-
Suspense Venus (948154)	62 889	-
Payments received in advance -Note 4	7 201 884	-
Less: Provision for Bad Debts	(48 618 730)	-
Total Other Debtors	44 863 750	7 814 300

Fraudulent Cash Collection: On 15 February the Manager: Accounts Receivable and Senior Finance Officer reported that the amount of R1,261,034.74 made up of cash of R209,363.22 and cheques of R1,051,671.52 was fraudulently taken from the Civic Centre of MCLM by individuals posing as Fidelity Guards employees. A case has been opened for theft (Case number KDP1026/02/2007). A claim was registered with MCLM's insurance brokers, Messrs. INDWE Risk Services.

MOGALE CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
- 14 -		
14 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts: -		
First National Bank - Corporate Account Services Branch: Account Number 6204 524 3491 - Primary Account		
Cash book balance at the beginning of the year	1 790 287	1 537 502
Cash book balance at the end of the year	<u>(3 103 223)</u>	<u>1 790 287</u>
Bank statement balance at the beginning of the year	1 056 534	273 353
Bank statement balance at the end of the year	<u>100 000</u>	<u>1 056 534</u>
First National Bank - Corporate Account Services Branch: Account Number 6204 524 2469		
Cash book balance at the beginning of the year	1 224 255	1 388 231
Cash book balance at the end of the year	<u>(1 162 423)</u>	<u>1 224 255</u>
Bank statement balance at the beginning of the year	1 224 255	1 388 231
Bank statement balance at the end of the year	<u>100 300</u>	<u>1 224 255</u>
First National Bank - Corporate Account Services Branch: Account Number 6204 523 1074		
Cash book balance at the beginning of the year	(17 645 987)	(26 600 807)
Cash book balance at the end of the year	<u>(25 824 762)</u>	<u>(17 645 987)</u>
Add back outstanding cheques included as creditors (note 4)	32 957 024	-
Adjusted Cash book balance at the end of the year	<u>7 132 262</u>	<u>(17 645 987)</u>
Bank statement balance at the beginning of the year	13 645 725	4 223 623
Bank statement balance at the end of the year	<u>12 756 632</u>	<u>13 645 725</u>
First National Bank - Corporate Account Services Branch: Account Number 6208 172 0114		
Cash book balance at the beginning of the year	97 978	36 983
Cash book balance at the end of the year	<u>50 000</u>	<u>97 978</u>
Bank statement balance at the beginning of the year	97 978	36 983
Bank statement balance at the end of the year	<u>50 000</u>	<u>97 978</u>
First National Bank - Corporate Account Services Branch: Account Number 6208 171 8523		
Cash book balance at the beginning of the year	15 029	83 093
Cash book balance at the end of the year	<u>37 332</u>	<u>15 029</u>
Bank statement balance at the beginning of the year	15 029	83 093
Bank statement balance at the end of the year	<u>50 000</u>	<u>15 028</u>
First National Bank - Corporate Account Services Branch: Account Number 6208 171 9274		
Cash book balance at the beginning of the year	9 930	208 497
Cash book balance at the end of the year	<u>(17 176)</u>	<u>9 930</u>
Bank statement balance at the beginning of the year	9 930	208 497
Bank statement balance at the end of the year	<u>-</u>	<u>9 930</u>
First National Bank - Corporate Account Services Branch: Account Number 6209 288 6327		
Cash book balance at the beginning of the year	35 451	-
Cash book balance at the end of the year	<u>32 848</u>	<u>35 451</u>
Bank statement balance at the beginning of the year	35 451	-
Bank statement balance at the end of the year	<u>50 000</u>	<u>35 451</u>
First National Bank - Corporate Account Services Branch: Account Number 6212 767 4358		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	<u>2 515 777</u>	<u>-</u>
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>2 515 777</u>	<u>-</u>

MOGALE CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
- 15 -		
ABSA : Account Number 310 000 027		
Cash book balance at the beginning of the year	613 090	167 817
Cash book balance at the end of the year	(34 276)	613 090
Bank statement balance at the beginning of the year	613 090	167 817
Bank statement balance at the end of the year	-	613 090
First National Bank - Account Number 6205 643 3429		
Cash book balance at the beginning of the year	-	1 998 161
Cash book balance at the end of the year	-	-
Bank statement balance at the beginning of the year	-	1 998 161
Bank statement balance at the end of the year	-	-
Unallocated bank items from suspense votes included in cash book balance beginning of the year	(9 220 603)	(5 865 390)
Unallocated bank items from suspense votes included in cash book balance end of the year	2 557 668	(9 220 603)
Total all bank accounts		
Total cash book balance at the beginning of the year	(23 080 570)	(27 045 913)
Cashbook balance / (overdraft) at year end	8 008 789	(23 080 570)
Bank statement balance at beginning of year	16 697 991	8 379 758
Bank statement balance at end of year	13 106 932	16 697 991
Bank and Cash		
Casher floats & Petty cash	37 376	38 376
Call Accounts	9 000 000	9 630 711
	9 037 376	9 669 087
15 PROPERTY RATES		
<u>Actual</u>		
Residential	66 464 535	62 859 957
Agricultural	4 647 527	13 627 339
Commercial	63 604 538	32 329 196
State	1 163 229	3 010 927
Total Assessment Rates	135 879 829	111 827 419
<u>Valuations</u>		
	<u>July 2007</u>	<u>July 2006</u>
	<u>R000's</u>	<u>R000's</u>
Residential	1 301 508	1 634 164
Commercial	452 270	253 768
State	38 369	19 440
Municipal	90 609	272 957
Agricultural	-	1 153
Other	80 980	
Total Property Valuations	1 963 736	2 181 482
Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2001. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and changes in use.		
16 SERVICE CHARGES		
Sale of electricity	241 026 090	199 364 924
Refuse removal	48 332 710	41 248 754
Sewerage and sanitation charges	55 575 398	47 030 952
Sale of water	129 410 731	111 149 059
Total Service Charges	474 344 929	398 793 689

MOGALE CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
- 16 -		
17 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	68 281 566	57 322 062
MIG Grants	26 479 957	30 800 242
Department of housing	213 590	4 739 955
Provincial government	2 239 747	7 749 166
Finance management grant	500 000	1 033 220
Health subsidy	5 996 126	5 477 576
Bontle ke Botho	208 788	365 663
WRDM	4 606 523	1 822 234
National Department of Sport	36 866	550 576
Other	1 852 662	2 026 447
Total Government Grant and Subsidies	110 415 825	111 887 141
17.1 Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R143 , which is funded from this grant.		
17.2 Provincial Health Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts - included in public health vote	5 996 126	5 477 576
Conditions met - transferred to revenue	(5 996 126)	(5 477 576)
Conditions still to be met - transferred to liabilities	-	-
The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 50% of total expenditure incurred. This grant has been used exclusively to fund clinic services. (included in the public health vote in Appendix D)		
17.3 MIG Grant		
Balance unspent at beginning of year	3 319 462	8 230 430
Current year receipts	26 149 338	25 889 273
Conditions met - transferred to revenue	(26 479 957)	(30 800 241)
Conditions still to be met - transferred to liabilities (Note 6)	2 988 843	3 319 462
This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads and sewerage votes in Appendix B). No funds have been withheld.		
17.4 Department of Housing		
Balance unspent at beginning of year	2 062 158	1 589 452
Current year receipts	-	5 212 660
Conditions met - transferred to revenue	(213 591)	(4 739 954)
Conditions still to be met - transferred to liabilities (Note 6)	1 848 567	2 062 158
This grant is administrated on behalf of the Department of Housing for the erection of houses		
17.5 Finance Management Grant		
Balance unspent at beginning of year	500 000	1 033 220
Current year receipts	-	-
Conditions met - transferred to revenue	(500 000)	(1 033 220)
Conditions still to be met - transferred to liabilities (Note 6)	-	-
The Finance management grant is utilised in the internship programme for the payment of salaries and training of the finance interns		
17.6 Other Provincial Government Grants		
Balance unspent at beginning of year	3 567 805	6 314 245
Current year receipts	11 301 638	5 820 617
Conditions met - transferred to revenue	(3 928 043)	(8 567 057)
Conditions still to be met - transferred to liabilities (Note 6)	10 941 400	3 567 805
This grant is utilised for the construction of infrastructure and community facilities		
17.7 West Rand District Municipality		
Balance unspent at beginning of year	2 763 049	(130 504)
Current year receipts	1 708 162	4 932 125
Conditions met - transferred to revenue	(3 326 194)	(2 038 572)
Conditions still to be met - transferred to liabilities (Note 6)	1 145 017	2 763 049

MOGALE CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
WRDM funds various activities in the Municipality e.g. HIV/AIDS, Primary health care, programmes for the youth, elderly, disabled, etc. Included in the amount above are assets with a value of R720,512 that were donated by WRDM.		
- 17 -		
18 OTHER INCOME		
Other income	2 127 965	2 341 477
Building plan fees	2 993 490	1 055 733
Cemetery fees	1 169 287	1 512 598
Insurance claims	649 171	-
Advertising	682 166	-
Application fees	585 226	-
Bulk service connections	7 602 742	4 770 294
Contributions Roads, stormwater and parks	1 718 943	-
Service Connections	7 961 641	-
Unallocated Cash	5 771 862	-
New service connections	3 404 862	-
Warning Fees :Electricity	3 206 412	-
Encroachment fees	-	829 091
Medical aid contributions (Pensioners)	1 121 625	866 600
Total Other Income	38 995 392	11 375 793
19 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	144 821 661	124 147 599
Employee related costs - Contributions for UIF, pensions and medical aids	38 585 722	34 391 311
Travel, motor car, accommodation, subsistence and other allowances	20 630 265	16 850 952
Housing benefits and allowances	2 128 338	2 085 200
Overtime payments	16 453 090	15 288 567
Performance bonus	10 604 780	8 791 852
Long-service awards	-	54 458
	233 223 856	201 609 939
Less: Employee costs included in other expenses	(1 675 923)	(6 455 759)
Total Employee Related Costs	231 547 933	195 154 180
There were no advances to employees. Loans to employees are set out in note 10.		
Remuneration of the Municipal Manager		
Annual Remuneration	519 077	547 378
Performance Bonuses	-	24 835
Car Allowance	80 100	162 504
Contributions to UIF, Medical and Pension Funds	50 268	37 172
Total	649 445	771 889
Remuneration of the Chief Finance Officer		
Annual Remuneration	237 613	525 272
Performance Bonuses	-	22 547
Car Allowance	66 000	108 000
Contributions to UIF, Medical and Pension Funds	13 448	28 702
Total	317 061	684 521
Remuneration of Individual Executive Directors		
	Technical Services	Technical Services
Annual Remuneration	-	364 230
Performance Bonuses	-	16 896
Car Allowance	-	126 900
Medical and pension funds	-	17 117
Total	-	525 143
20 REMUNERATION OF COUNCILLORS		
Executive Mayor	408 703	474 453
Speaker	316 689	372 469
Executive Committee Members	3 004 784	3 633 952
Councillors	3 937 503	5 624 772
Councillors' pension contribution	658 553	567 382
Total Councillors' Remuneration	8 326 232	10 673 028
In-kind Benefits		
The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		

MOGALE CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.		
The Executive Mayor has two full-time bodyguards.		
- 18 -		
21 INTEREST PAID		
Long-term liabilities	<u>35 146 289</u>	<u>46 282 724</u>
22 BULK PURCHASES		
Electricity	128 795 143	114 638 717
Water	80 408 937	67 880 405
Total Bulk Purchases	<u>209 204 080</u>	<u>182 519 122</u>
23 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	222 787 949	131 900 915
Appropriations	(4 674 374)	(24 171 090)
Adjustment for:-		
Other	622 074	2 328 204
Transfers to provisions	(130 155 748)	-
Gain on disposal of property, plant and equipment	(8 872 574)	(3 997 833)
Interest paid	35 146 289	46 282 724
Investment income	(12 585 331)	(6 506 972)
Operating surplus before working capital changes:	<u>102 268 285</u>	<u>145 835 948</u>
(Increase)/Decrease in inventories	(7 243 425)	(1 562 688)
(Increase)/decrease in debtors	(34 560 041)	(4 831 625)
(Increase)/decrease in other debtors	(37 049 450)	604 255
(Decrease)/increase in conditional grants and receipts	5 641 639	(3 509 003)
(Decrease) Increase in provisions	(6 089 999)	6 058 025
Increase in creditors	46 526 142	15 429 896
Increase in VAT	27 773 006	3 114 386
Cash generated by/(utilised in) operations	<u>97 266 157</u>	<u>161 139 194</u>
24 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :		
Bank balances and cash	17 046 165	9 669 087
Bank overdrafts	-	(13 859 967)
Total cash and cash equivalents	<u>17 046 165</u>	<u>(4 190 880)</u>
25 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>25.1 Contributions to organized local government</u>		
Salga		
Opening balance	-	-
Council subscriptions	829 557	-
Amount paid - current year	(829 557)	-
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>25.2 Audit fees</u>		
Opening balance	-	-
Current year audit fee	650 953	728 252
Amount paid - current year	(650 953)	(728 252)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>25.3 VAT</u>		
VAT inputs receivables and VAT outputs receivables are shown in note 7. All VAT returns have been submitted timeously throughout the year.		
<u>25.4 PAYE and UIF</u>		
Opening balance	-	-

MOGALE CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
Current year payroll deductions	2 300 845	2 048 480
Amount paid - current year	-	(2 048 480)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	2 300 845	-

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25.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	4 009 380	2 762 662
Amount paid - current year	-	(2 762 662)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

25.6 Councillor's arrear consumer accounts

	<u>Total</u>	<u>Outstanding less than 90 days</u>
	R	R
The following Councillors had arrear accounts outstanding for more than 90 days as at: -		
30th June 2007		
Lebesa SL	25 476	970
Oliphant SR	15 660	929
Sebilane AK	3 416	478
Steenkamp JT	373	286
Thabe DS	3 884	231
Thobela DC	1 514	239
Total Councillor Arrear Consumer Accounts	50 323	3 133
30th June 2006		
Dingezweni	448	448
Mohube M	1 335	1 335
Total Councillor Arrear Consumer Accounts	1 783	1 783

26 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for

Infrastructure

Community

Heritage

Other

- Approved but not yet contracted for

Infrastructure

Community

Heritage

Other

Total

This expenditure will be financed from:

- Revenue

- Government Grants

- District Council Grants

29 696 231	5 884 000
15 143 274	616 000
7 562 438	4 702 000
200 000	-
6 790 519	566 000
-	-
-	-
-	-
-	-
-	-
29 696 231	5 884 000
14 428 726	2 759 000
15 267 505	2 652 000
-	473 000
29 696 231	5 884 000

27 CORRECTION OF ERROR

Previous year income adjustment	-	38 346
Previous year expenditure adjustment	547 709	(69 314)
Difference Sub ledgers & Main ledger (Venus)	(10 272 430)	(9 253 448)
Vat incorrectly paid over to SARS	(7 832 030)	(14 886 674)
Corrections to assets	1 273 303	-
Cheques cancelled	(44 483)	-
Other	1 025 086	-
Salaries corrections	10 428 202	-
Sundry debtors corrected	53 262	-
Sundry deposits corrected	147 007	-

MOGALE CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
	<u>(4 674 374)</u>	<u>(24 171 090)</u>

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28 RETIREMENT BENEFIT INFORMATION

All Councillors and employees belong to 3 defined benefit retirement funds administered by the Provincial Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2003. These valuations indicate that the funds are in a sound financial position. The estimated liability of the funds is R200,7 million which is adequately financed by assets of R255,4 million.

29 CONTINGENT LIABILITY

Stannic Loans: Guarantee	861 556	5 744 926
Housing Loans: Guarantees	370 540	401 960
Outstanding salary claims against Council as at 30 June 2006	400 000	923 000
Outstanding legal matters	36 829 360	-
	<u>38 461 456</u>	<u>7 069 886</u>

Outstanding Legal matters:

AVAX CC Septic Tank Cleaners:-

Avax CC Septic tank cleaners rendered services on behalf of the Municipality to render amongst others, water delivery to Hekpoort and Magaliesburg, Vacuum Tanker Services and Vacuum Tank Truck Hire.

The services were rendered on the basis of verbal agreement between Avax CC duly authorized representative and the Municipality's duly authorized representative. Invoices regarding payment for services rendered were honored by Mogale City. During June to September 2006 invoices were also delivered and were never honored due to the fact that the services were terminated with effect from 1st of September 2006.

Subsequent to the termination of the contract, the Municipality was served with summons for the payment of the outstanding amounts. The outstanding amounts were never paid within the required time frame in the summons. Judgment was taken against the Municipality. The outstanding amount of R258 909.58 was honored and an application was made with the high court to rescind the duplicated amounts. The estimated remaining legal cost is R258 909.58.

TSELA TSWEU:-

The Applicant Tsela Tsweu was appointed by the district Municipality to do consultancy work in the Area district including Mogale City. The understanding was that individual municipality was to seek mandate before they could enter into an agreement with the consultants. Mogale City did not consent to the project and as result did not sign the Agreement. The Applicant has now instituted action against Mogale city on the grounds that the area falls within the District Municipality where they rendered services. Amount claimed: R1,195,241

Chabano Constructions:-

The Applicant entered into an Agreement with the Municipality for supply and delivery of building materials. The Municipality cancelled the Agreement on the grounds of non performance on behalf of the Applicant. The Applicant has instituted an action for damages suffered as result of cancellation. Amount claimed: R1,167,770

Special occasions

The plaintiff is an event organizer and is suing the Municipality for cancellation of an agreement, in that the municipality contracted with them to organize an event in the Mayoral office and that the Municipality failed to give a proper notice before terminating the agreement. The applicant claims that as result of termination of the Agreement by the Municipality they suffered damages. Amount claimed: R72,000

Enviro Fill

The Applicant claim is based on the alleged cancellation of an environmental management contract by the Municipality. The applicant Claims that as result of the cancellation they suffered damages. Amount claimed: R1,985,440

P Moila

The Applicant was employed by the Municipality on a fixed term contract. The Applicant referred the matter to the CCMA for constrictive dismissal and was awarded compensation for unfair dismissal. The municipality has now filled Notices to rescind the Arbitration award. Amount claimed: R150,000

Moteo group

The Applicant were contracted by the Municipality to construct low cost housing by the Municipality. The Agreement was cancelled by the Municipality after the withdrawal of funding by the Municipality. The Applicant is suing the Municipality for damages suffered as a result of the cancellation of the contract. Amount claimed: R3,200,000.

30 DEVIATION FROM OFFICIAL PROCUREMENT PROCESSES

Farad (Pty) Ltd:

31 COMPARISON WITH THE BUDGET

MOGALE CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007
R

2006
R

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).



**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 June 2007**

		Actual	
	Note	2007 R	2006 R
REVENUE			
Property Rates	15	135 879 829	111 827 419
Property Rates - Penalties and Collection charges		2 058 489	5 860 084
Service Charges	16	474 344 929	398 793 689
Rental of facilities and equipment		2 945 897	3 106 644
Interest earned - external investments		12 585 331	6 506 972
Interest earned - outstanding debtors		32 815 971	20 011 126
Fines		3 402 995	5 616 312
Licences and permits		(96 045)	3 926
Income for agency service		8 170 255	7 420 382
Government grants and subsidies	17	110 415 825	111 887 141
Other income	18	38 995 392	11 375 793
Gains on disposal of property, plant and equipment		8 872 574	3 997 833
Sub total Revenue		830 391 442	686 407 321
Less Revenue foregone		-	-
Total Revenue		830 391 442	686 407 321
EXPENDITURE			
Employee related cost	19	233 223 856	195 154 180
Remuneration of Councillors	20	8 326 232	10 673 028
Contribution to provisions		-	8 054 901
Collection cost		783 909	-
Depreciation		4 350 913	1 892 426
Repairs and maintenance		30 985 742	38 198 783
Interest paid	21	35 146 289	46 282 724
Bulk Purchases	22	209 204 080	182 519 122
Contracted services		16 115 846	18 128 161
Grants and Subsidies paid		5 735 019	2 690 765
General expenses		65 407 530	50 912 316
Internal Charges / Charge outs	19	(1 675 923)	-
Total expenditure		607 603 493	554 506 406
SURPLUS / (DEFICIT)		222 787 949	131 900 915
Share of surplus / (deficit) of associate accounted for under equity method			
SURPLUS / (DEFICIT) FOR THE YEAR		222 787 949	131 900 915



STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

		Pre-Gamap reserves and funds	Housing development fund	Capital replacement reserve	Government grant reserve	Donations & Public contributions reserve	Revaluation reserve	Accumulated surplus/(deficit)	Total
2006									
Balance at 1 July 2005		-	-	12 488 970	48 628 513	-	-	(151 290 956)	(90 173 473)
Correction of error	27	-	-	-	-	-	-	24 171 090	24 171 090
Implementation of GAMAP	31	-	-	-	-	-	-	-	-
Change in Accounting policy	31	-	-	-	-	-	-	-	-
Restated Balance		-	-	12 488 970	48 628 513	-	-	(127 119 866)	(66 002 383)
Surplus/(deficit) for the year		-	-	-	-	-	-	131 900 915	131 900 915
Transfer to CRR		-	-	(12 488 970)	-	-	-	12 488 970	-
Property, Plant & Equipment purchased		-	-	-	-	-	-	-	-
Capital grants used to purchase PPE		-	-	-	41 454 902	-	-	(41 454 902)	-
Other transfers		-	-	-	-	-	-	(63 498 318)	(63 498 318)
Offsetting of Depreciation		-	-	-	-	-	-	-	-
Balance at 30 June 2006		-	-	-	90 083 415	-	-	(87 683 201)	2 400 214
2007									
Correction of error	27	-	-	-	-	-	-	4 674 374	4 674 374
Implementation of GAMAP		-	-	-	-	-	-	-	-
Change in Accounting policy	31	-	-	-	-	-	-	-	-
Restated Balance		-	-	-	90 083 415	-	-	(83 008 827)	7 074 588
Surplus/(deficit) for the year		-	-	-	-	-	-	222 787 949	222 787 949
Transfer to CRR		-	-	-	-	-	-	-	-
Property, Plant & Equipment purchased		-	-	-	-	-	-	-	-
Capital grants used to purchase PPE		-	-	-	29 983 916	-	-	(29 983 916)	-
Other transfers		-	-	-	-	-	-	(130 155 748)	(130 155 748)
Offsetting of Depreciation		-	-	-	(2 464 527)	-	-	2 464 527	-
Balance at 30 June 2006		-	-	-	117 602 804	-	-	(17 896 015)	99 706 789





CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		669 723 361	707 300 099
Cash paid to suppliers and employees		(572 457 204)	(546 160 905)
Cash generated from operations	23	97 266 157	161 139 194
Interest received		12 585 331	6 506 972
Interest paid		(35 146 289)	(46 282 724)
NET CASH FROM OPERATING ACTIVITIES		74 705 199	121 363 442
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(44 478 377)	(61 125 557)
Proceeds on disposal of property, plant and equipment		8 872 574	3 997 833
(Increase) / Decrease in non-current receivables		13 156 135	(9 573 377)
Increase in non-current investments		(23 227 386)	34 368 126
Increase in reserves		(27 519 389)	(28 965 932)
NET CASH FROM INVESTING ACTIVITIES		(73 196 443)	(61 298 907)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised / (repaid)		(20 883 963)	(62 080 000)
Increase in consumer deposits		1 453 114	1 249 839
Other Capital receipts		39 159 138	17 721 802
NET CASH FROM FINANCING ACTIVITIES		19 728 289	(43 108 359)
NET DECREASE IN CASH AND CASH EQUIVALENTS		21 237 045	16 956 176
Cash and cash equivalents at the beginning of the year		(4 190 880)	(21 147 056)
Cash and cash equivalents at the end of the year	24	17 046 165	(4 190 880)
		21 237 045	16 956 176



MOGALE CITY LOCAL MUNICIPALITY

ACCOUNTING POLICIES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

These annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practice (GRAP). These accounting policies are consistent with those of the previous financial year.

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

General Notice 991 of 2005, issued in Government Gazette no. 28095 of 7 December 2005; and
General Notice 992 of 2005, issued in Government Gazette no. 28095 of 15 December 2005.

The standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. A summary of the significant accounting policies are disclosed below.

No	Standard no.	Standard title
1	AC 105	Leases
2	AC 116	Employee benefits

The municipality is exempted from the following accounting reporting standards in terms of Government notice 30013 dated 29 June 2007.

Financial reporting standard	Detail	Extent of exemption from standard
GRAP 3	Accounting policies, changes in accounting estimates and errors	Identification and impact of GRAP standards that have been issued but are not yet effective and changes to accounting policies [Par 59-61 and 30 -31]
GAMAP 17	Property, plant and equipment PPE	Review of depreciation method applied to PPE recognised in the annual financial statements
		Review of useful life of items of PPE recognised in the annual financial statements.
		Impairment of non-cash-generating assets
		Impairment of cash generating assets
IAS 36 (AC 128)	Impairment of assets	Entire standard
GAMAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17
		The entire standard to the extent that it relates to water stock that was not purchased by the municipality
IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17
		Disclosure of the fair value of the investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standards
IAS 17 (AC 105)	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement

MOGALE CITY LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

IAS 38 (AC 129)	Intangible assets	The entire standard except for recognition, measurement and disclosure of computer software and website costs and all other costs are expensed.
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information
GAMAP 9	Revenue	Initial measurement of fair value discounting all future receipts using an imputed rate of interest
IAS 39 (AC 133)	Financial instruments: recognition and measurement	Initially measuring financial assets and financial liabilities at fair value.
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale.
IFRS 7 (AC 144)	Financial instruments: Disclosure	Entire standard to be replaced by IAS 32(AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998
IAS 14 (AC 115)	Segmental reporting	Entire standard
IFRS 8 (AC 145)	Operating segments	Entire standard
IAS 11 (AC 109)	Construction contracts	Entire standard
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance	Entire standard excluding paragraph 25 and 26, replaced by paragraph 8 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraph 42 – 46 of GAMAP 9

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. RESERVES

4.1 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus / (deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus / (deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus / (deficit)

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus / (deficit).

4.2 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus / (deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus / (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus / (deficit).

MOGALE CITY LOCAL MUNICIPALITY

ACCOUNTING POLICIES FOR THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Infrastructure	<u>Years</u>	Other	<u>Years</u>
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
		Watercraft	15
		Bins and containers	5
Community		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

6. INVESTMENTS

6.1 Financial Instruments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

8. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

**MOGALE CITY LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

9. TRADE CREDITORS

Trade creditors are stated at their nominal value.

10. REVENUE RECOGNITION

10.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

10.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

12. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

13. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

**MOGALE CITY LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

14. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. COMPARATIVE INFORMATION

17.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

17.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

18. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

19. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance

MOGALE CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

11 PROPERTY, PLANT & EQUIPMENT

30 June 2007	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
Reconciliation of Carrying Value	R	R	R	R	R	R
Carrying values at 1 July 2006	41 165 125	38 336 647	167 925 461	47 950	16 381 152	263 856 335
Cost	41 165 125	896 677 358	181 640 310	47 950	91 355 074	1 210 885 817
Correction of error	-	-	-	-	-	-
Accumulated depreciation	-	(858 340 711)	(13 714 849)	-	(74 973 922)	(947 029 482)
Acquisitions	-	32 134 317	3 128 337	-	9 215 723	44 478 377
Capital under Construction	-	-	-	-	-	-
Depreciation	-	(2 424 399)	(95 960)	-	(1 830 554)	(4 350 913)
Carrying value of disposals	-	-	-	-	1 297 234	1 297 234
Cost	-	-	-	-	1 606 530	1 606 530
Accumulated depreciation	-	-	-	-	(309 296)	(309 296)
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values at 30 June 2006	41 165 125	68 046 565	170 957 838	47 950	23 767 739	302 686 565
Cost	41 165 125	928 811 675	184 768 647	47 950	98 964 267	1 253 757 664
Accumulated depreciation	-	(860 765 110)	(13 810 809)	-	(76 495 180)	(951 071 099)

30 June 2006	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
Reconciliation of Carrying Value	R	R	R	R	R	R
Carrying values at 1 July 2005	37 896 466	46	164 211 664	47 950	2 467 091	204 623 217
Cost	37 896 466	857 393 124	177 905 368	47 950	76 866 339	1 150 109 247
Correction of error	-	-	-	-	-	-
Accumulated depreciation	-	(857 393 078)	(13 693 704)	-	(74 399 248)	(945 486 030)
Acquisitions	3 268 659	39 284 234	3 734 942	-	14 837 722	61 125 557
Capital under Construction	-	-	-	-	-	-
Depreciation	-	(947 633)	(21 145)	-	(923 647)	(1 892 425)
Carrying value of disposals	-	-	-	-	14	14
Cost	-	-	-	-	348 987	348 987
Accumulated depreciation	-	-	-	-	(348 973)	(348 973)
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values at 30 June 2006	41 165 125	38 336 647	167 925 461	47 950	16 381 152	263 856 335
Cost	41 165 125	896 677 358	181 640 310	47 950	91 355 074	1 210 885 817
Restatement of assets (Note 31)	-	-	-	-	-	-
Accumulated depreciation	-	(858 340 711)	(13 714 849)	-	(74 973 922)	(947 029 482)
Carrying Value of Assets	41 165 125	38 336 647	167 925 461	47 950	16 381 152	263 856 335

Refer to Appendix B and Appendix C for more detail on property, plant and equipment, including those in the course of construction.

The municipality is exempted from GAMAP 17 in term of Government notice 30013 dated 29 June 2007.

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will calculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present this assets are not depreciated. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2009.

MOGALE CITY LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30 June 2006	Received during the year	Redeemed written off during the year	Balance at 30 June 2007
LONG-TERM LOANS			R	R	R	R
ANNUITY LOANS						
DBSA						
	13.20% L99975/1	2010/03/31	43 119 633	5 832	8 811 021	34 314 444
	15% L10935/102	2018/08/31	32 977 943	1 956	-	32 979 899
	15% L10935/1202	2018/03/31	1 244 877	74	-	1 244 951
	15% L10935/1203	2018/03/31	229 632	14	-	229 646
	15% L10935/1302	2018/03/31	5 268 941	312	-	5 269 253
	15% L10935/1401	2018/03/31	9 336 575	554	-	9 337 129
	15% L10935/1501	2018/03/31	1 914 554	114	-	1 914 668
	15% L10935/2001	2018/03/31	3 112 192	185	-	3 112 377
	15% L10935/203	2018/03/31	1 773 949	105	-	1 774 054
	15% L10935/2102	2018/03/31	4 045 849	240	-	4 046 089
	15% L10935/2302	2018/03/31	4 253 329	252	-	4 253 581
	15% L10935/2501	2018/03/31	4 149 589	246	-	4 149 835
	15% L10935/2601	2018/03/31	311 219	17	-	311 236
	15% L10935/2701	2018/03/31	308 512	18	-	308 530
	15% L10935/502	2018/03/31	3 956 187	235	-	3 956 422
	15% L10935/602	2022/03/31	10 471 608	621	-	10 472 229
	15% L10935/802	2018/03/31	1 224 426	73	-	1 224 499
	15% L10935/901	2024/03/31	2 966 126	176	-	2 966 302
	16.20% L12164/01	2010/12/31	27 864 824	2 065 163	2 207 226	27 722 761
	10.05% L12238/101	2006/12/31	6 747	-	6 747	-
	13.56% L12607/101	2014/06/30	2 336 436	151 626	84 221	2 403 841
ABSA						
	12.74% L3022143601	2010/03/31	46 601 816	-	10 380 070	36 221 746
INCA						
	LMOGA0001	2016/05/31	60 000 000	549 312	2 730 947	57 818 365
FINANCE LEASES						
WESBANK						
	14% LGCX12117WESBNK	2011/09/14	-	631 250	72 106	559 144
TOTAL EXTERNAL LOANS			267 474 964	3 408 375	24 292 338	246 591 001

ABSA Loan:

Mogale City Local Municipality had a long term amortised loan from ABSA (L3010088164) amounting to R68,000,000 at a rate of 12.74% NACS, repayable on a semi-annual basis. During the 2004/2005 financial year, MCLM entered into negotiations with ABSA to restructure the repayment terms of the loan to a quarterly basis. Owing to ABSA system difficulties experienced in the rescheduling of this loan during the 2004/5 financial year, the original loan was terminated and replaced by another loan (L3022143601). The final settlement date of the revised loan of 30 April 2007 is still applicable.

MOGALE CITY LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2007

	Cost/Revaluation					Accumulated Depreciation					Carrying Value	Budget Additions 2007
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Land and Buildings												
Land and Buildings	14 125 008	-	-	-	14 125 008	-	-	-	-	-	14 125 008	900 000
Sub Total	14 125 008	-	-	-	14 125 008	-	-	-	-	-	14 125 008	900 000
Infrastructure												
Drains	7 667 400	-	(1 501)	-	7 665 899	7 667 397	-	-	-	7 667 397	(1 498)	
Roads	323 057 919	478 643	-	-	323 536 562	318 875 911	287 219	-	-	319 163 130	4 373 432	550 000
Sewerage mains & Purification	56 877 992	8 200 617	109 518 911	-	174 597 520	55 887 684	116 409	104 586 143	-	56 004 093	118 593 427	10 044 164
Electricity mains	199 564 143	11 369 085	-	-	210 933 228	188 760 922	423 260	-	-	189 184 182	21 749 046	24 275 446
Electricity Peak control equipment	1 797 432	-	-	-	1 797 432	1 678 339	6 057	-	-	1 684 396	113 036	-
Water mains & Purification	268 322 799	3 621 434	(109 518 911)	-	162 425 322	252 911 738	879 965	(104 586 143)	-	253 791 703	(91 366 381)	6 759 531
Reservoirs water	13 782 030	378 004	-	-	14 160 034	10 199 591	192 933	-	-	10 392 524	3 767 510	107 000
Water meters	20 183 182	7 876 638	-	-	28 059 820	16 990 828	496 766	-	-	17 487 594	10 572 226	7 877 118
Pedestrian facilities	4 976 855	-	-	-	4 976 855	4 976 852	-	-	-	4 976 852	3	35 519
Airports	41 361	-	-	-	41 361	41 360	-	-	-	41 360	1	-
Security Measures	406 245	209 896	-	-	616 141	350 089	21 790	-	-	371 879	244 262	433 484
Sub Total	896 677 358	32 134 317	(1 501)	-	928 810 174	858 340 711	2 424 399	-	-	860 765 110	68 045 064	50 082 262
Community assets												
Parks & Gardens	4 462 896	-	(200 036)	-	4 262 860	-	-	-	-	-	4 262 860	-
Libraries	10 998 293	2 140	-	-	11 000 433	-	-	-	-	-	11 000 433	16 000
Recreation Grounds	56 762 420	2 259 296	-	-	59 021 716	13 714 849	95 960	-	-	13 810 809	45 210 907	8 619 000
Civic Buildings	97 137 525	82 698	-	-	97 220 223	-	-	-	-	-	97 220 223	95 800
Clinics	4 122 826	127 028	-	-	4 249 854	-	-	-	-	-	4 249 854	35 374
Cemeteries	4 299 217	657 175	-	-	4 956 392	-	-	-	-	-	4 956 392	1 050 000
Other	3 857 133	-	-	-	3 857 133	-	-	-	-	-	3 857 133	-
Old age Homes	-	-	-	-	-	-	-	-	-	-	-	-
Sub Total	181 640 310	3 128 337	(200 036)	-	184 568 611	13 714 849	95 960	-	-	13 810 809	170 757 802	9 816 174
Heritage Assets												
Historical buildings	-	-	-	-	-	-	-	-	-	-	-	200 000
Paintings & Art Galleries	47 950	-	-	-	47 950	-	-	-	-	-	47 950	-
Sub Total	47 950	-	-	-	47 950	-	-	-	-	-	47 950	200 000
Housing Rental Stock												
Housing Schemes	27 040 117	-	200 036	1 297 151	25 943 002	-	-	-	-	-	25 943 002	7 012 500
Sub Total	27 040 117	-	200 036	1 297 151	25 943 002	-	-	-	-	-	25 943 002	7 012 500
Other Assets												
Landfill sites	33 078 423	6 248 731	-	-	39 327 154	20 524 760	564 864	-	-	21 089 624	18 237 530	6 259 100
Office Equipment	1 562 494	253 873	10 749	-	1 827 116	741 271	406 089	749	-	1 146 611	680 505	665 014
Furniture & Fittings	6 329 607	195 528	(5 748)	8 500	6 510 887	6 217 580	12 142	(4 048)	8 487	6 225 283	285 604	504 902
Bins & Containers	6 397 879	-	-	-	6 397 879	6 397 878	-	-	-	6 397 878	1	-
Emergency equipment	-	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	20 494 481	789 251	63 768	-	21 347 500	20 493 443	124 747	(63 765)	-	20 681 955	665 545	791 250
Fire engines	1	-	-	-	1	-	-	-	-	-	1	-
Other transport	-	-	-	-	-	-	-	-	-	-	-	-
Computer equipment	11 405 256	1 012 763	(8 200)	293 879	12 115 940	9 350 477	437 537	7 998	293 817	9 486 199	2 629 741	2 203 723
Plant & Equipment	12 084 293	712 439	(59 068)	7 000	12 730 664	11 246 748	281 885	59 066	6 992	11 462 575	1 268 089	465 419
Sub Total	91 352 434	9 212 585	1 501	309 379	100 257 141	74 972 157	1 827 264	-	309 296	76 490 125	23 767 016	10 889 408
Inventory Items												
Small assets	2 640	3 138	-	-	5 778	1 765	3 290	-	-	5 055	723	71 004
Sub Total	2 640	3 138	-	-	5 778	1 765	3 290	-	-	5 055	723	71 004
Total	1 210 885 817	44 478 377	-	1 606 530	1 253 757 664	947 029 482	4 350 913	-	309 296	951 071 099	302 686 565	78 971 348

MOGALE CITY LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2007

	Cost/Revaluation					Accumulated Depreciation					Carrying Value	Budget Additions 2007
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Executive & Council	3 050 299	920 114	47 874	1 000	4 017 287	1 437 208	133 101	34 617	999	1 569 310	2 447 977	1 252 439
Finance & Admin	96 674 472	1 008 035	13 841 095	240 500	111 283 102	10 972 349	987 222	(57 957)	240 444	11 719 127	99 563 975	2 418 608
Planning & Development	916 668	22 506	(4 750)	42 279	892 145	907 821	444	(4 742)	42 273	865 992	26 153	1 543 879
Health	6 835 056	872 015	(1 253 516)	2 250	6 451 305	1 032 286	89 354	(22 589)	2 246	1 119 394	5 331 911	172 002
Community & Social	46 664 324	1 002 011	(12 679 247)	11 750	34 975 338	2 537 211	12 193	4 968	11 747	2 537 657	32 437 681	2 010 801
Housing	22 180 464	49 505	(2 750)	1 297 151	20 930 068	353 913	78 826	(2 746)	-	432 739	20 497 329	6 761 901
Public Safety	5 251 086	63 059	(619 030)	-	4 695 115	4 996 649	25 933	(619 009)	-	5 022 582	(327 467)	63 062
Sport & Recreation	66 949 324	2 282 104	1 150	8 400	69 224 178	18 597 578	97 360	1 158	8 390	18 686 548	50 537 630	8 661 807
Environmental Services	330 053	64 403	35 750	-	430 206	256 659	20 578	35 744	-	277 237	152 969	333 000
Waste Management	216 648 545	14 452 888	(500)	1 500	231 099 433	198 537 506	896 497	(500)	1 499	199 432 504	31 666 929	16 306 804
Road transport	337 432 691	44 728	655 773	-	338 133 192	327 856 595	267 625	655 750	-	328 124 220	10 008 972	63 540
Water	197 737 497	11 876 076	(1 500)	1 000	209 611 073	180 483 764	1 300 456	(1 498)	999	181 783 221	27 827 852	14 794 139
Electricity	210 004 708	11 820 933	(27 849)	700	221 797 092	198 849 411	441 324	(30 691)	699	199 290 036	22 507 056	24 589 366
Other	210 630	-	7 500	-	218 130	210 532	-	7 495	-	210 532	7 598	-
TOTAL	1 210 885 817	44 478 377	-	1 606 530	1 253 757 664	947 029 482	4 350 913	-	309 296	951 071 099	302 686 565	78 971 348

MOGALE CITY LOCAL MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

30 JUNE 2007

2006 Actual Income	2006 Actual Expenditure	2006 Surplus/ (Deficit)		2007 Actual Income	2007 Actual Expenditure	2007 Surplus/ (Deficit)
R	R	R		R	R	R
1 800	9 648 173	(9 646 373)	Executive & Council	-	11 362 002	(11 362 002)
194 202 579	88 108 079	106 094 500	Finance & Admin	243 540 705	83 566 786	159 973 919
1 816 135	13 003 403	(11 187 268)	Planning & Development	4 132 398	13 494 271	(9 361 873)
5 493 990	11 468 519	(5 974 529)	Health	6 719 637	10 792 135	(4 072 498)
2 504 080	17 609 654	(15 105 574)	Community & Social	4 729 559	21 900 637	(17 171 078)
4 751 268	5 994 339	(1 243 071)	Housing	101 009	7 510 627	(7 409 618)
6 011 520	27 522 329	(21 510 809)	Public Safety	3 718 743	34 734 639	(31 015 896)
4 461 754	32 064 348	(27 602 594)	Sport & Recreation	2 352 733	35 370 783	(33 018 050)
94 128	2 445 801	(2 351 673)	Environmental Services	225 584	3 258 314	(3 032 730)
119 718 024	63 350 879	56 367 145	Waste Management	128 370 490	73 708 837	54 661 653
10 818 758	25 926 360	(15 107 602)	Road transport	10 302 402	23 557 370	(13 254 968)
123 078 237	100 321 619	22 756 618	Water	137 475 874	113 400 718	24 075 156
213 455 048	156 858 351	56 596 697	Electricity	239 233 667	172 872 756	66 360 911
-	184 552	(184 552)	Other	1 800	295 411	(293 611)
686 407 321	554 506 406	131 900 915	Sub Total	780 904 601	605 825 286	175 079 315
-	-	-	Less Inter-Departmental Charges	-	-	-
686 407 321	554 506 406	131 900 915	Total	780 904 601	605 825 286	175 079 315

MOGALE CITY LOCAL MUNICIPALITY
APPENDIX E(1)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006

	Actual 2007 R	Budget 2007 R	Variance 2007 R	Variance 2007 %	Explanation of significant Variances
REVENUE					
Property rates	135 879 829	118 632 000	17 247 829	14.54	New town development and rezoning of land
Service Charges	2 058 489	6 144 096	(4 085 607)	(66.50)	
Collection charges	474 344 929	428 526 801	45 818 128	10.69	
Rental : Property & Equipment	2 945 897	2 655 936	289 961	10.92	
Interest earned - external investment	12 585 331	-	12 585 331	-	
Interest earned - outstanding debtors	32 815 971	2 000 000	30 815 971	1 540.80	Increase in outstanding debtor balances
Fines	3 402 995	5 578 475	(2 175 480)	(39.00)	Income for traffic fines higher than expected
Licenses & Permits	(96 045)	3 583 876	(3 679 921)	(102.68)	Budget include monies paid over to Gauteng Province for license fees
Agency services	8 170 255	7 420 933	749 322	10.10	
Government grants & Subsidies	110 415 825	80 633 573	29 782 252	36.94	Change in accounting policy, GRAP - Conditional grants now regonized as income
Other income	38 995 392	12 370 838	26 624 554	215.22	
Gains on disposal of PPP	8 872 574	-	8 872 574	-	Change in accounting policy, GRAP - Selling of land included as income
Sub total	830 391 442	667 546 528	162 844 914	24.39	
Less Income forgone	-	-	-	-	
Total revenue	830 391 442	667 546 528	162 844 914		
EXPENDITURE					
Employee related costs	233 223 856	234 000 000	(776 144)	(0.33)	
Remuneration Councillors	8 326 232	8 400 000	(73 768)	(0.88)	
Contribution to Provisions	-	-	-	-	
Collection costs	783 909	784 000	(91)	(0.01)	
Depreciation	4 350 913	4 800 000	(449 087)	(9.36)	
Repairs & Maintenance	30 985 742	34 000 000	(3 014 258)	(8.87)	
Interest on external borrowings	35 146 289	35 147 000	(711)	-	
Bulk purchases	209 204 080	209 204 500	(420)	-	Purchase required for the year based on seasonal fluctuations
Contracted services	16 115 846	16 116 000	(154)	-	
Grants & Subsidies paid	5 735 019	5 364 038	370 981	6.92	Indigent subsidies exceed budget
General expenses- other	65 407 530	121 283 534	(55 876 004)	(46.07)	Includes departmental charges based on actual expenditure and not budget amount
Loss on disposal of PPP	-	-	-	-	
Internal transfers/Departmental charges	(1 675 923)	(1 552 544)	(123 379)	7.95	Salary costs charged out to other departments
Total expenditure	607 603 493	667 546 528	(59 943 035)		
NET SURPLUS/(DEFICIT)	222 787 949	-	222 787 949		

MOGALE CITY LOCAL MUNICIPALITY

APPENDIX E(2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT & EQUIPMENT) FOR THE YEAR ENDED 30 June 2006

	Actual 2007 R	Budget 2007 R	Variance 2007 R	Variance 2007 %	Explanation of significant Variances
Land and Buildings					
Land and Buildings	-	900 000	-	-	
Subtotal	-	900 000	-	-	
Infrastructure					
Drains	-	-	-	-	
Roads	478 643	550 000	(71 357)	(12.97)	
Sewerage mains & Purification	8 200 617	10 044 164	(1 843 547)	(18.35)	Project in process (Roll over)
Electricity mains	11 369 085	24 275 446	(12 906 361)	(53.17)	
Electricity Peak control equipment	-	-	-	-	
Water mains & Purification	3 621 434	6 759 531	(3 138 097)	(46.42)	Budget includes all water related capex
Reservoirs water	378 004	107 000	271 004	253.27	Additional funds received during financial year
Water meters	7 876 638	7 877 118	(480)	(0.01)	
Pedestrian facilities	-	35 519	(35 519)	(100.00)	Planned expenditure did not realise
Security Measures	209 896	433 484	(223 588)	(51.58)	Project in process (Roll over)
Subtotal	32 134 317	50 082 262	(17 947 945)	(35.84)	
Community assets					
Libraries	2 140	16 000	(13 860)	-	
Recreation Grounds	2 259 296	8 619 000	(6 359 704)	(73.79)	Project in process (Roll over)
Civic Buildings	82 698	95 800	(13 102)	(13.68)	
Clinics	127 028	35 374	-	-	
Cemeteries	657 175	1 050 000	-	-	
Subtotal	3 128 337	9 816 174	(6 386 666)	(87.47)	
Heritage Assets					
Historical buildings	-	200 000	-	-	Project in process (Roll over)
Subtotal	-	200 000	-	-	
Housing Rental Stock					
Housing Schemes	-	7 012 500	(7 012 500)	(100.00)	Project in process (Roll over)
Subtotal	-	7 012 500	(7 012 500)	(100.00)	
Other Assets					
Landfill sites	6 248 731	6 259 100	(10 369)	(0.17)	
Office Equipment	253 873	665 014	(411 141)	(61.82)	Planned expenditure did not realise
Furniture & Fittings	195 528	504 902	(309 374)	(61.27)	Planned expenditure did not realise
Motor Vehicles	789 251	791 250	(1 999)	(0.25)	
Computer equipment	1 012 763	2 203 723	(1 190 960)	(54.04)	Planned expenditure did not realise
Plant & Equipment	712 439	465 419	247 020	53.07	Assets donated and not budgeted
Subtotal	9 212 585	10 889 408	(1 676 823)	(15.40)	
Inventory Items					
Small assets	3 138	71 004	-	-	
Subtotal	3 138	71 004	-	-	
Total	44 478 377	78 971 348	(33 023 934)	(41.82)	

MOGALE CITY LOCAL MUNICIPALITY
APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
FOR THE YEAR ENDED 30 JUNE 2007

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure				
		Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07
Capacity Building	National										
LED	Dept of Land Affairs										
National Electrification Programme	National										
Conditional Grants	Dept of Public Transport, Roads and Works			2 189 838.21				2 189 838.20			
Building for Sport and Recreation Programme	Dept of Sport, Recreation, Arts & Culture	1 897 000.00	363 585.57			1 787 800.00	721 684.54	622 081.40	364 397.51	245 969.31	381 397.36
Conditional Grants	Dept of Housing and Land	-	-	-	-	-	267 000.36	570 239.43	-	-	-
Skills development levy	Training SETA- Dept of Labour	1 212 794.53	116 759.00	226 881.22	193 057.95	333 581.52		1 329 553.53	226 881.22	193 057.95	333 581.52
WRDM Allocations	West Rand District Municipality	326 500.00	3 301 443.00	1 806 679.06	-	-		1 480 179.00	288 210.00	514 250.00	655 079.23
MIG	National	11 545 226.42	5 000 000.00	2 000 000.00	13 000 000.00	8 997 635.19	5 503 127.00	10 578 189.00	4 556 994.00	6 796 127.00	7 864 827.00
Finance Management Grant	National	-	-	500 000.00	-	-	759 019.87	2 482.16	118 989.84	74 856.24	80 964.60
Municipal Improvement Systems	National						566 402.59	283 601.70	-	-	-
Equitable Share	National	19 107 354.00	19 107 354.00	22 765 074.00	17 070 392.00	28 446 100.00	15 782 956.88	47 431 625.44	19 658 040.04	10 117 895.89	12 533 551.08
Conditional Grants	Dept of Water Affairs	1 311 000.00				5 774 000.00		1 204 317.41			
Conditional Grants	Dept of Mineral and Energy					1 050 000.00			3 815.79		
Health Subsidy	Province	1 369 394.00	1 369 394.00	1 481 400.00	1 481 400.00	1 481 400.00	1 369 394.00	1 369 394.00	1 481 400.00	1 481 400.00	1 481 400.00
Bontle ke Botho Award	Gauteng department of agric, conservation and environment	290 000.00					9 142.00	18 963.95	189 519.38	2 102.64	21 625.00
Total		37 059 268.95	29 258 535.57	30 969 872.49	31 744 849.95	47 870 516.71	24 978 727.24	67 080 465.22	26 888 247.78	19 425 659.03	23 352 425.79

31 DEVIATION FROM OFFICIAL PROCURMENT PROCESSES

Department	Description	Reason	Approved Company	Amount
Water and Sanitation	Percy Stewart Water Care Works: Refurbishment of two flocculators	Items available from single supplier only	Biwater	R 330 800
Water and Sanitation	Appointment of Specialist Team for the rehabilitation of Percy Stewart Water Care Works – Millside Transfer Scheme	20% Extension of contract due to emergency situation at PSWCW: <ul style="list-style-type: none"> Capacity currently inadequate; No further housing development is possible until capacity has increased; As temporary measure MI/d sewerage can be diverted via Millside 	Africon Consulting Engineers	R 280 444
Water and Sanitation	Procurement of prepayment water meters on an as and when required basis for a period of three years	Not practical to follow normal procurement procedures: <ol style="list-style-type: none"> The Technova prepayment meter is the SANS (SABS) approved prepayment meter; The Directorate: Water and Sanitation is standardising on pre-payment water meters to prevent purchasing of additional software and/or replacement of existing software, to preclude different payment systems or vending units, and simplify the maintenance and/or replacement of meters; The Water Prepayment project is an ongoing project; Messrs. Lesira Tech (Pty) Ltd provides a high standard of customer service; There will be major cost implications if we need to change the existing pre-paid water meters 	Lesira-Tec (Pty) Ltd (Technova prepayment water meter)	Approx R 28 million
Infrastructure Management: Electricity Section	Services and material for the load management system of the electrical networks in Krugersdorp and Azaadville	Sole agent for the repairs and servicing of Enernet ripple control equipment in South Africa, by Enernet CH in Switzerland	Farad (Pty) Ltd	Max R 1 million (one year appointment)
Infrastructure Management: Fleet Management Services	Procurement of vehicle for the Executive Mayor BMW X5 4.8 IS	BMW is the Sole agent for the purchase of a 2006 BMW X%	BMW Clearwater	R 789 250 (excluding finance charges and an interest rate of 9.5%) Includes motor plan up to 120 000 km
Infrastructure Management: Roads and Surface Drainage	Extension of tender I (R) 08/2005: Supply, delivery and spraying of weed killers as and when required	Extension of existing tender for a period of three months until 28 February 2007 as to enable the sub-directorate to continue with critical maintenance and operational projects over the holiday period. New tender process to be started in January 2007	Megatrax Trading 6cc	As and when required
Infrastructure Management: Roads and Surface Drainage	Extension of tender I (R) 08/2005: Supply and delivery of crusher stone and road building materials	Extension of existing tender for a period of three months until 31 March 2007 as to enable the sub-directorate to continue with critical maintenance and operational projects over the holiday period. New tender process to be started in January 2007	<ul style="list-style-type: none"> Holcim Jo-Jo's Building Supplies (Pty) Ltd 	As and when required
Finance Department	Appointment of a consultant to assist the Budget and Treasury office with the finalisation of the Budget to align the Budget with the Strategic Plan of MCLM for the period 2006 to 2011	Due to the urgent nature of the finalisation of the budget process, this Chartered Accountant firm was appointed to start with immediate effect commencing on Monday 26 February 2007	Integrated Finance (Pty) Ltd	Proposed fee to be negotiated by CFO, but to be within the budget provision of R 500 000

Department	Description	Reason	Approved Company	Amount
Water and Sanitation	Rental of Chlorine Gas Cylinders for disinfection of wastewater at the Percy Stewart and Magalies Water Care Works for a period of two years	In terms of clause 36(1)(a)(ii) of the SCM policy, the calling of tenders be dispensed with as this goods is available from a single provider only	Chlorquip (Pty) Ltd 67 van Aardt Road Selection Park Springs 1590	R 254 612.16
Water and Sanitation	Purchase of 3 Portable 24 Composite Samplers	In terms of clause 36(1)(a)(ii) of the SCM policy, the calling of tenders be dispensed with as this goods is available from a single provider only	N & Z Instrumentation and Control (Isco equipment) Private Bag 18 Rosettenville 2130	R 303 105.00
Infrastructure Management: Roads and Surface Drainage	20 Prioritised Township Programme: Quick-win Projects: <ul style="list-style-type: none"> • Kagiso Taxi Handling Facility • Munsieville Public Transport Facilities • Munsieville Street lights • Kagiso Electrical Supply • Kagiso Street names and Traffic Calming • Munsieville Electrical Supply • Munsieville Street names and Calming 	<p>Department of Housing has allocated R 111 m (out of the books) to Dept Infrastructure for the implementation of 5 crucial maintenance and upgrading projects in Kagiso and Munsieville</p> <p>KPG Civils has already been appointed by MCLM in terms of tender A (I) R 01/2007 to perform the same work, but it is not possible to extend an existing tender with more than 15%</p> <p>In terms of clause 36(1)(a)(v) of the SCM policy, the calling of all tenders be dispensed with as this is considered to be an exceptional case where it is impossible to follow the official tender process, due to the strict deadlines to be met: 1 April to 1 October 2007</p> <p>This project will have huge benefits for MCLM as a proactive maintenance approach can now be adopted, rather than the current reactive approach</p>	KPG Surfacing and Civils (main contractor)	R 11 million out of books from the Gauteng department of Housing
Finance	Extension of Tender AS 01/2005: Supply, delivery and off-loading of Protective Clothing to MCLM as and when required	Extension of existing tender for a period of two months until 14 May 2007 as to enable the Stores section to continue with the issue of protective clothing until the new tender process has been finalised. This tender requires the input from all directorates with regard to the specifications for the protective clothing required by their sections	<p>PF Services PO Box 7630 Westgate 1734</p> <p>Fogel Industries cc PO Box 261192 Excom 2023</p> <p>A1 Industries PO Box 9396 Azaadville 1750</p>	As and when required for a period of two months until 14 May 2007
Infrastructure Management: Electricity	Extension of tender A I (E) 18/2006: Appointment of Suitable Electrical Contractors for the installation of LV Electrical Cables, HV Electrical Cables, Installation of Meter Boxes and Meters, the Testing and Commissioning of the Installation, in accordance with the latest edition of SANS 0142.	Extension of existing tender for a period of three months until 30 April 2007 as to enable the sub-directorate to continue with critical service connection projects and maintenance and operational projects over. New tender in process	MJL Electrical PO Box 1468 Rant en Dal 1751	As and when required for a period of two months until 30 April 2007

Department	Description	Reason	Approved Company	Amount
Infrastructure Management: Electricity	Extension of tender A I (E) 21/2006: Appointment of Suitable Electrical Contractors for the Conversion of Overhead Connections to the installation of LV Electrical Cables, HV Electrical Cables, Installation of Meter Boxes and Meters, the Testing and Commissioning of the Installation, in accordance with the latest edition of SANS 0142.	Extension of existing tender for a period of three months until 30 April 2007 as to enable the sub-directorate to continue with critical service connection projects and maintenance and operational projects over. New tender in process	MJL Electrical PO Box 1468 Rant en Dal 1751	As and when required for a period of two months until 30 April 2007
Infrastructure: Electricity	Appointment of a Service Provider: Streetlight maintenance for a period of 18 months	In terms of section of the SCM Policy, a municipality may appoint a service provider, appointed by another organ of state, on the same terms and conditions. This service provider has been appointed in terms of a tender process by City Power, Jo'burg Metro. In terms of the Jo'burg tender the service provider was only appointed for the maintenance portion, but in MCLM the service providers appointment was extended to include the supply of the required material and equipment	Light-be Streetlight Maintenance CC PO Box 3112 Witbeeck 1729	Approx R 6 million This includes the supply of the required material and equipment at the prices of suppliers plus and administration charge of 10%
Finance Department	Implementation of new VAT requirements: Amendment of Value added Tax Act, no 89 of 1991 with effect from 1 July 2006	In terms of section (36)(1)(a)(v) it was impractical to follow the official procurement process due to the fact that MCLM has only 3 months to comply with the new requirements (transition period expires on 30 June 2007). Deloitte's also had a current appointment as Mogale's VAT consultants and were familiar with MCLM's financial activities	Deloitte Consulting (Pty) Ltd 315 Veale Street Brooklyn 0181	10% Flat rate on any VAT savings identified
Finance Department	Extension of tender A F 01/2005: Delivery of notices in respect of debt owed to MCLM, in respect of water, electricity, rates and taxes as well as sundry debtors	Extension of tender for a period of three months, as from 5 April to 30 June 2007, as to enable Revenue Section to finalise new tender process	Snyman and Vennote Debtapak	15% Commission on debt recovered
Public Safety Department	Implementation of EasyPay Traffic Fine Collection System	EasypPay is the sole provider of the EasyPay system currently in operation at the Revenue Section for the collection of water and lights payments. EasyPay is a revenue collection service, where the customer presents a traffic violation for payment, makes payment and the money and data are transferred to the municipality within 24 hours	EasyPay (Pty) Ltd PO Box 901 Witkoppen 2068	R 7.00 per VAT per transaction. And bank cost are recoverable from the receiver
Department Water and Sanitation	Appointment of Consulting Engineer for the final design of the Millside transfer scheme pipeline – Percy Stewart Water Care Works	Accounting Officer dispensed with the calling for the tenders for the appointment of a consultant, for the following reasons: <ul style="list-style-type: none"> • Singe source selection • Natural continuation of previous work, and • An add-on to a project 	Africon Consulting Engineers PO Box 905 Pretoria 0001	R 224 954.15 (including VAT)
Department Water and Sanitation	Replacement of Cracked Sludge Line as a matter of urgency. Replacement of 450 meters of cement pipe to a Class 12 uPVC pipes with an outer diameter of 200mm at the Flip Human Water Care Works	Emergency repair. Condition of expenditure already incurred as a matter of urgency. Three quotations were obtained and the lowest quotation accepted	Kgati Construction PO Box 410 Tarlton	R 238 595.00 (excluding VAT)

Department	Description	Reason	Approved Company	Amount
Department Water and Sanitation	Purchase of Rib Loc Pipe material as a matter of urgency to be used in the construction of the Lusaka pipeline	Reasons for purchasing PVC pipe material: <ul style="list-style-type: none"> Existing pipeline was constructed with this specific material; Directorate Water and Sanitation wishes to standardise on this specific pipe material; Cost of uPVC pipe material is considerable less 	WPDL Profile Winders CC 28 th Avenue 847 Rietfontein Pretoria 0084	R 795 600 (excluding VAT)
Department Water and Sanitation	Purchase of Rib Loc Pipe material as a matter of urgency to be used in the construction of the Millside Transfer Scheme	Reasons for purchasing PVC pipe material: <ul style="list-style-type: none"> Existing pipeline was constructed with this specific material; Directorate Water and Sanitation wishes to standardise on this specific pipe material; Cost of uPVC pipe material is considerable less 	WPDL Profile Winders CC 28 th Avenue 847 Rietfontein Pretoria 0084	R 3 135 600 (excluding VAT)